

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AID-05
COME-00 EB-08 FRB-03 INR-07 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15 STR-05
CEA-01 AGRE-00 /095 W
-----034281 181205Z /11

O R 181007Z NOV 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 2899
INFO AMEMBASSY BONN
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 17881

USMTN

USOECD ALSO FOR EMBASSY

DEPT PASS STR

E.O. 11652: GDS
TAGS: ETRD, JA, US
SUBJECT: AMBASSADOR'S CALL ON PRIME MINISTER TO INTRODUCE
RIVERS TEAM

1. SUMMARY: AMBASSADOR AND RIVERS CALLED ON PRIME MINISTER
TO STATE OUR DEEP AND GROWING CONCERN REGARDING TRADE AND
PAYMENTS SITUATION AND THREAT OF PROTECTIONISM. PRIME
MINISTER EXPLAINED HIS VIEW OF GLOBAL PROBLEMS OF RECESSION,
UNEMPLOYMENT AND INFLATION. HE EXPRESSED DESIRE FOR SUCCESS
OF RIVERS CONSULTATIONS BUT ALSO CAUTIONED AGAINST OUR
MAKING DEMANDS IN AREAS OF HIGH POLICY. END SUMMARY.
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2. AMBASSADOR CALLED ON PRIME MINISTER FUKUDA NOV. 18
WITH STR GENERAL COUNSEL RIVERS AND DEP. ASST. SEC. HEGINBOTHAM
TO DISCUSS OUTSTANDING TRADE AND OTHER PROBLEMS. THE PRIME MINISTER
OPENED MEETING WITH A DESCRIPTION OF HIS VIEW OF GLOBAL ECONOMIC
PROBLEMS. HE CITED THREE PROBLEM AREAS: UNEMPLOY-
MENT, INFLATION, AND ECONOMIC RECESSION. HE SAID

THAT THE U.S. AND JAPAN ARE IN THE SAME BOAT AND THAT WE HAVE A COMMON DESTINY. HE REAFFIRMED THE THEMES EXPRESSED IN HIS LETTER TO THE PRESIDENT THAT THE U.S., JAPAN, AND EUROPE MUST COOPERATE, NOT BLAME EACH OTHER, AND CONSULT FULLY. HE ADDED THAT HE WAS PLEASED THAT GENERAL COUNSEL RIVERS HAD BEEN SENT TO CARRY OUT SUCH CONSULTATIONS.

3. THE PRIME MINISTER NOTED THAT THE APPRECIATION OF THE YEN WAS HAVING A NEGATIVE EFFECT ON JAPAN'S ECONOMIC RECOVERY. HE SAID HE IS NOW STUDYING WHAT CAN BE DONE TO OVERCOME THAT SO JAPAN CAN ACHIEVE HIS GROWTH TARGET OF 6.7 PERCENT. HE SAID JAPAN HAD TRIED TO STIMULATE DEMAND IN ORDER TO REDUCE THE CURRENT ACCOUNT (C/A) SURPLUS BUT THAT LITTLE EFFECT WAS NOTICEABLE. HE SAID JAPAN'S PROSPECTS OVER THE NEXT YEAR OR TWO WERE NOT GOOD AND THAT EXPORTS WOULD PROBABLY DECLINE. PRICES OF EXPORTS WOULD RISE BUT THE VOLUME WOULD FALL. FOR EXAMPLE, JAPAN WAS RECEIVING VIRTUALLY NO NEW ORDERS FOR SHIPS. TEXTILE EXPORTS WILL BE HURT AND AUTO EXPORTS WOULD NOT RISE BECAUSE JAPAN IS HAVING TO FOLLOW ORDERLY MARKETING CONCEPTS. TO HELP THE SITUATION, HE SAID, JAPAN WAS PLANNING EMERGENCY IMPORT MEASURES.

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4. THE PRIME MINISTER AGAIN STATED HIS PERSONAL COMMITMENT TO THE PROMOTION OF FREE TRADE. HE SAID THAT JAPAN WOULD DO EVERYTHING POSSIBLE TO PROMOTE THE MTN. HE URGED RIVERS TO DISCUSS THESE AND OTHER ISSUES WITH JAPANESE OFFICIALS.

5. THE AMBASSADOR RESPONDED THAT THE U.S. IS SERIOUSLY CONCERNED, NOTING THAT U.S. AND OECD ESTIMATES WERE FOR A JAPANESE CURRENT ACCOUNT SURPLUS THIS YEAR AND NEXT YEAR OF ROUGHLY \$10 BILLION. THESE IMBALANCES THREATENED TO DAMAGE OUR CLOSE AND BENEFICIAL RELATIONS. HE SAID THAT THE U.S. PLACES HIGHEST PRIORITY ON A PUBLIC COMMITMENT BY JAPAN TO ACHIEVE A CURRENT ACCOUNT BALANCE SOON. TO ACHIEVE THIS HE URGED SPECIFIC MEASURES WITH EFFECT IN 1978, LONGER-TERM MEASURES TO EXPAND IMPORTS AND RESTRAIN EXPORT PROMOTION AND, FINALLY, A DRAMATIC INCREASE IN IMPORTS OF MANUFACTURED AND AGRICULTURAL PRODUCTS.

6. THE AMBASSADOR EXPRESSED APPRECIATION FOR JAPAN'S PROBLEMS, NOTING THAT MEASURES TO EXPAND

IMPORTS COULD REDUCE INFLATIONARY PRESSURES. HE
SUGGESTED THAT JAPAN COMMIT ITSELF TO A SIGNIFICANTLY
INCREASED GROWTH RATE FOR 1978 OF ABOUT 8 PERCENT.
HE WAS GRATIFIED BY THE PRIME MINISTERS PERSONAL
ATTENTION TO THESE PROBLEMS AND SUGGESTED THAT A
JAPANESE GOVERNMENT ANNOUNCEMENT BY MID-DECEMBER
OF ITS INTENTIONS WOULD BE HELPFUL. HE SAID THAT
HE HOPED MR. RIVERS VISIT WOULD BE AN OCCASION
ON WHICH WE CAN RECONFIRM THE IMPORTANCE OF EFFORTS
OF THE TWO JOINT GROUPS ON TRADE FACILITATION AND
ECONOMIC FORECASTS ESTABLISHED FOLLOWING THE
SEPTEMBER SUB-CABINET TALKS. FINALLY HE ASKED FOR
A REPORT FROM THE JAPANESE MINISTERIES ON WHAT
THEY PROPOSED TO DO SOMETIME BEFORE THE MISSION
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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 17881

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7. THE PRIME MINISTER TOOK PARTICULAR NOTE OF MENTION OF AN 8 PERCENT GROWTH TARGET FOR JAPAN. HE SAID THAT HE WAS SURPRISED BY THAT SUGGESTION WHICH COULD EASILY BE MISUNDERSTOOD AS A DEMAND OR PRESSURE FROM THE U.S. ON A MATTER OF HIGH POLICY IN JAPAN. THE PRESS MIGHT PLAY IT UP AS IF THE FUKUDA GOVERNMENT HAD KNELT BEFORE THE UNITED STATES.

8. THE AMBASSADOR RESPONDED THAT IT WAS ONLY A SUGGESTION WHICH REFLECTED OUR DEEP CONCERN AND WE CERTAINLY HAD NO INTENTION OF PUBLICIZING SUCH A CONFIDENTIAL

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FIGURE. HE ADDED THERE WAS NO USE OF THE WORD "PRESSURE OR DEMAND" IN CONNECTION WITH THAT FIGURE AND THAT IF OUR RELATIONSHIP EVER CAME TO MAKING DEMANDS THEN WE WOULD BE IN REAL TROUBLE.

9. IN CONCLUSION, THE PRIME MINISTER SAID THAT HE FAVORED A FRANK EXCHANGE AND HE HOPED THE RIVERS CONSULTATIONS COULD REACH A GOOD CONCLUSION. HE JOKINGLY ASKED WHETHER MR. RIVERS AND HIS TEAM WOULD BE PREPARED TO WORK ON SUNDAY TO ACHIEVE THAT PURPOSE.
MANSFIELD

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Message Attributes

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Disposition Approved on Date:
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